

**CITY OF LA PORTE CITY**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**JUNE 30, 2005**

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## City of La Porte City

### Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Rick Lubben	Mayor	Jan 2006
Kyle Jensson	Council Member	Jan 2006
Kathy Norris	Council Member	Jan 2006
Jeff Krop	Council Member	Jan 2008
Cliff McFarland	Council Member	Jan 2008
John Williams	Council Member	Jan 2008
Julie Petersen	Clerk	
Jeffrey Larison	Treasurer	
Robert Braun	Attorney	

## Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of La Porte City, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of La Porte City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of La Porte City as of June 30, 2005, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our reports dated October 11, 2005 on our consideration of the City of La Porte City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 6 through 10 and 25 through 27 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of La Porte City's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the

financial statements for the three years ended June 30, 2004 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

October 11, 2005

## **CITY OF LA PORTE CITY**

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202 Main Street, La Porte City, Iowa 50651

Phone: (319) 342-3396

Fax: (319) 342-3770

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The City of La Porte City provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005. It is to be used in conjunction with the City's Annual Report and is intended to explain the significant changes in financial position and differences in operations between the current and prior years.

### **Using This Annual Report**

The annual report consists of a series of financial statements and other information as follows:

#### **Management's Discussion and Analysis**

- introduces the basic financial statements and provides an analytical overview of the City's financial activities

#### **Government-wide Financial Statement**

- consists of a Statement of Activities and Net Assets
- provides information about the activities of the City as a whole and presents an overall view of the City's finances

#### **Fund Financial Statements**

- tells how governmental services were financed in the short term as well as what remains for future spending
- report the City's operations in more detail than the government-wide statement by providing information about the most significant funds

#### **Notes to Financial Statements**

- provide additional information essential to a full understanding of the data provided in the basic financial statements

#### **Required Supplementary Information**

- further explains and supports the financial statements with a comparison of the City's budget for the year

#### **Other Supplementary Information**

- provides detailed information about the non-major governmental funds

### **Basis of Accounting**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting is a basis other than generally accepted accounting principals, and does not give effect to accounts receivable, accounts payable and accrued items. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **Reporting The City's Financial Activities**

### **Government-wide Financial Statements:**

To aid in the understanding of the Statement of Activities, some additional explanation is needed. All receipts and disbursements are categorized as either governmental activities or business-type activities. **Governmental Activities** are financed primarily by property tax, local option sales tax, road use tax and state and federal grants. They are defined as follows:

**Public Safety** – includes police operations, fire protection, ambulance service, building inspections and animal control services.

**Public Works** – includes roads, bridges and sidewalks, equipment replacement, street lighting, sanitation, traffic safety, snow removal and street cleaning.

**Health and Social Services** – includes welfare assistance

**Culture and Recreation** – includes library services, parks, recreation, pool, community center and museum

**Community and Economic Development** – includes economic development, housing rehab, and tax increment financing

**General Government** – includes mayor, city council, city clerk, city treasurer, legal services, and city hall administrative and building needs

**Debt Service** – includes principal and interest payments for debt repayment

**Capital Projects** – includes major street projects and railroad repairs

**Business Type Activities** include the ambulance service and the sanitary sewer system. These activities are financed primarily by user charges.

### **Fund Financial Statements:**

The City has two kinds of funds:

**Governmental funds** account for most of the City's basic services and include the General Fund, the Special Revenue Funds such as Road Use Tax and Tax Increment Financing, the Debt Service Fund, the Capital Projects Fund, the Equipment Replacement Fund, and the Trust Funds. The Governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

**Proprietary funds** are also known as Business-Type funds. When the City charges customers for the services it provides, these services are generally reported as Proprietary funds. These funds, which include Ambulance and Sewer services, are generally self-sufficient. The required financial statements for Proprietary Funds include a statement of cash receipts, disbursements and changes in cash balances.

### **Basic Financial Statements**

Part of the requirements of the Management Discussion and Analysis is to provide a brief discussion of the Basic Financial Statements included in this Report and the information they provide.

- **Statement of Activities and Net Assets – Cash Basis (Exhibit A)**

The first section of the statement presents the eight governmental **Functions / Programs**. *Disbursements* for each are listed in the first column, with *Charges for Service* and other receipts shown to the right. The result is a Net (Expense) or Revenue, which is helpful in determining the extent to which the programs support themselves.

The Next section lists **General Receipts**, including *Property Tax*, *Local Option Sales Tax* and *Unrestricted Interest*. These revenues are not listed in the first section because they are not generated from the direct operation of the functions/programs.

Finally, the report shows the net assets end of year as \$1,940,009, compared to net assets beginning of the year of \$1,546,700, or an increase of \$393,309. Much of this increase is attributed to General Obligation Bond Funds that were received in Fiscal Year 2005 but not fully disbursed prior to the end of the fiscal year.

- **Statement of Cash Receipts, Disbursements and Changes in Cash Balances, Governmental Funds (Exhibit B)**

The City maintains ten funds under the “Governmental” classification. The column titled *General* includes activity in the General and the Economic Development funds. The *Equipment Replacement* column shows funds reserved, interest earned and funds disbursed for the purchase of capital equipment. The column titled *Other Nonmajor Governmental Funds* includes activity for the Low to Moderate Income Fund (required for the Piphoo Development TIF Project), the Trust II Fund (established to track memorials, bequests, and contributions), the TIF Fund, the Trust I (Employee Benefits) Fund and the Debt Service Fund. More detailed information on these nonmajor funds is included on the *Statement of Cash Receipts, Disbursements and Changes in Cash Balances – Non-Major Governmental Funds* (Schedule 1).

- **Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Statement of Activities and Net Assets – Governmental Funds (Exhibit C)**

This reconciles any differences in the Cash Ending Balances or Net Change in Cash from Exhibit A and Exhibit B.

- **Statement of Cash Receipts, Disbursements and Changes in Cash Balances, Proprietary Fund (Exhibit D)**

Proprietary Funds are used to report Business Type Activities (activities that are primarily self-supporting through service charges and user fees. The two proprietary funds for the City are the Ambulance and the Sewer Funds.

- **Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Statement of Activities and Net Assets – Proprietary Funds (Exhibit E)**

This reconciles any differences in the Cash Ending Balances or Net Change in Cash from Exhibit A and Exhibit D.

### **Budgetary Highlights**

Over the course of the fiscal year the City amended its budget two times. The first amendment was approved on September 13, 2004 and the second amendment was approved April 25, 2005. Both amendments provided for additional disbursements in certain City departments. The City had sufficient cash balances to absorb these additional costs.



### **2005 Financial Highlights**

- Revenues increased \$604,370, or 68%, from Fiscal Year 2004 to 2005. This increase is primarily attributable to the \$600,000 in long-term debt proceeds received in FY 2005 for street repairs and railroad crossing improvements. Property taxes collected increased \$78,949 in FY 2005.
- From FY 2004 to FY 2005 disbursements decreased overall by 7%, or \$149,416. Public Works/Capital Projects decreased \$226,090 due in part to street project expenses not billed prior to June 30, 2005.
- The City's total cash basis net assets increased approximately 25%, or \$393,309 from June 30, 2004 to June 30, 2005. Of this amount the assets of governmental activities increased \$248,633 and the assets of the business type activities increased \$144,676.
- Effective February 1, 2005, the City Council implemented a fee schedule for charges relating to fire/rescue calls. These fees will help offset the costs of fire department equipment and personnel.

### **Debt Administration**

As of June 30, 2005, the City had \$1,164,955 in debt outstanding compared to \$648,787 in 2004. The increase results from a \$600,000 general obligation bond issue in July of 2004.

#### **Outstanding Debt at Year End**

	<b>June 30,</b>	
	2005	2004
General obligation capital loan notes (FY04)	\$ 600,000	0
General obligation capital loan notes (FY03)	\$ 540,000	600,000
Equipment Note	<u>24,955</u>	<u>48,787</u>
Total	<u>\$1,164,955</u>	<u>648,787</u>

The General Obligation Notes FY04 were issued for the 2004 street rehabilitation, railroad crossing and Tama Road projects. The General Obligation Notes FY03 were issued for the 2003 street rehabilitation project. The Equipment Note was issued in 2002 for the purchase of the street sweeper.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$1,164,955 is comfortably below its constitutional debt limit of \$4.36 million.

### **Tif Rebates**

The City certified TIF debt for three projects in Fiscal Year 04-05, to be collected in Fiscal Year 05-06:

Don & Marian Collins (\$1,068) – the City loaned funds to the Collins' for fire safety improvements in the upper level of their commercial building. The property taxes generated from the improved value of this property will be applied towards their annual loan payment. This is the second of seven years for this certification.

Greg & Donna Pipho (\$36,000) – for Sunset Knolls Ninth Addition, the City agreed to pay to the Pipho's property taxes generated from the 13 lots in this housing division. This is the third of ten years for this certification.

Joseph & Jean Weber (\$20,600) – the City established a revolving loan fund with Economic Development money to assist the Weber's with the purchase and remodel of an empty commercial building for their business. This is the second and final year for this certification.

#### **Economic Factors And Next Year's Budgets And Rates**

The City of La Porte City's elected and appointed officials and department heads considered many factors when setting the fiscal year 2006 budget, tax rates and fees that will be charged for various City activities.

Department heads were encouraged to keep expenses in line with the 04-05 fiscal year. Although property tax valuations increased, the cost associated with providing City services, including health insurance, liability insurance and workers compensation insurance are expected to increase. The City will issue general obligation debt in fiscal year 06 for expenses tied to the demolition of the existing City pool and construction of a new Family Aquatic Center.

The City Council continued to support capital planning initiatives and approved reserving \$80,000 for future equipment and improvements.

#### **Contacting The City's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Julie Petersen, City Clerk, 202 Main Street, La Porte City, Iowa.



## **Basic Financial Statements**

City of La Porte City  
Statement of Activities and Net Assets - Cash Basis  
As of and for the year ended June 30, 2005

Functions / Programs:	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental activities:				
Public safety	\$ 454,592	59,814	4,693	-
Public works	378,959	138,328	255,887	3,741
Health and social services	1,869	-	-	35,535
Culture and recreation	277,229	32,706	26,452	45,506
Community and economic development	15,855	-	6,010	-
General government	107,212	21,114	134	-
Debt service	98,244	-	-	-
Capital projects	485,788	-	-	3,955
Total governmental activities	1,819,748	251,962	293,176	88,737
Business type activities:				
Sewer	129,054	214,730	-	-
Ambulance	83,287	78,707	-	-
Total business type activities	212,341	293,437	-	-
Total	\$ 2,032,089	545,399	293,176	88,737
<b>General Receipts:</b>				
Property tax levied for:				
General purposes				
Debt service				
Local option sales tax				
Unrestricted interest on investments				
Miscellaneous				
Bond proceeds				
Sale of assets				
Transfers				
Total general receipts and transfers				
Change in cash basis net assets				
Cash basis net assets beginning of year, as restated				
Cash basis net assets end of year				
<b>Cash Basis Net Assets</b>				
Restricted:				
Equipment Replacement				
Debt Service				
Other purposes				
Unrestricted				
<b>Total cash basis net assets</b>				

See notes to financial statements

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(390,085)	-	(390,085)
18,997	-	18,997
33,666	-	33,666
(172,565)	-	(172,565)
(9,845)	-	(9,845)
(85,964)	-	(85,964)
(98,244)	-	(98,244)
(481,833)	-	(481,833)
(1,185,873)	-	(1,185,873)
-	85,676	85,676
-	(4,580)	(4,580)
-	81,096	81,096
(1,185,873)	81,096	(1,104,777)
531,545	-	531,545
77,366	-	77,366
237,542	-	237,542
16,789	5,725	22,514
15,782	3,978	19,760
600,000	-	600,000
9,359	-	9,359
-	-	-
1,488,383	9,703	1,498,086
302,510	90,799	393,309
1,135,748	410,952	1,546,700
\$ 1,438,258	501,751	1,940,009
245,580	-	245,580
32,515	-	32,515
190,554	-	190,554
969,609	501,751	1,471,360
\$ 1,438,258	501,751	1,940,009

City of La Porte City  
Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Governmental Funds

As of and for the year ended June 30, 2005

	Special Revenue			Other
	Road	Equipment	Capital	Nonmajor
General	Use	Replacement	Projects	Governmental
	Tax			Funds
Receipts:				
Property tax	\$ 426,517	-	-	182,394
Other city tax	239,723	-	-	-
Licenses and permits	21,017	-	-	-
Use of money and property	15,210	3,741	3,955	3,799
Intergovernmental	106,805	192,982	35,535	750
Charges for service	182,840	-	-	-
Miscellaneous	45,658	5,050	-	50,102
Total receipts	1,037,770	192,982	44,326	237,045
Disbursements:				
Operating:				
Public safety	423,129	-	-	31,463
Public works	263,956	96,298	-	18,705
Health and social services	1,869	-	-	-
Culture and recreation	268,776	-	-	8,453
Community and economic development	3,712	-	-	12,143
General government	101,345	-	-	5,867
Debt service	-	-	-	98,244
Capital projects	-	6,791	478,997	-
Total disbursements	1,062,787	103,089	478,997	174,875
Excess of receipts over disbursements	(25,017)	89,893	(475,042)	62,170
Other financing sources (uses):				
Bond proceeds	-	-	600,000	-
Capital outlay	-	(80,820)	-	-
Reserve	-	87,000	-	-
Operating transfers in	23,267	3,932	139,010	12,915
Operating transfers out	(148,747)	-	-	(30,377)
Total other financing sources (uses)	(125,480)	10,112	739,010	(17,462)
Net change in cash balances	(150,497)	89,893	263,968	44,708
Cash balances beginning of year	644,238	103,259	191,142	197,109
Cash balances end of year	\$ 493,741	193,152	245,580	241,817
<b>Cash Basis Fund Balances</b>				
Reserved:				
Debt service	-	-	-	32,515
Capital projects	-	-	263,968	-
Unreserved:				
General fund	493,741	-	-	-
Special revenue funds	-	193,152	245,580	18,748
Permanent fund	-	-	-	190,554
Total cash basis fund balances	\$ 493,741	193,152	245,580	241,817

See notes to financial statements

Total	
608,911	
239,723	
21,017	
26,705	
336,072	
182,840	
100,810	
1,516,078	
454,592	
378,959	
1,869	
277,229	
15,855	
107,212	
98,244	
485,788	
1,819,748	
(303,670)	
600,000	
(80,820)	
87,000	
179,124	
(179,124)	
606,180	
302,510	
1,135,748	
1,438,258	
32,515	
263,968	
493,741	
457,480	
190,554	
1,438,258	



## City of La Porte City

Reconciliation of the Statement of Cash  
Receipts, Disbursements and Changes in Cash Balances  
to the Statement of Activities and Net Assets -  
Governmental Funds

As of and for the year ended June 30, 2005

<b>Total governmental funds cash balances (page 14)</b>	\$1,438,258
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The city does not have an internal service fund.  
Therefore there are no reconciling items.

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<b>Cash basis net assets of governmental activities (page 13)</b>	<u><u>\$1,438,258</u></u>
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<b>Net change in cash balances (page 14)</b>	\$ 302,510
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The city does not have an internal service fund.  
Therefore there are no reconciling items.

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<b>Change in cash balance of governmental activities (page 13)</b>	<u><u>\$ 302,510</u></u>
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See notes to financial statements

## City of La Porte City

Statement of Cash Receipts, Disbursements and Changes in Cash Balances  
Proprietary Funds

As of and for the year ended June 30, 2005

	Sewer	Ambulance	Total
Operating receipts:			
Use of money and property	\$ 5,096	629	5,725
Intergovernmental	-	2,555	2,555
Charges for service	214,730	76,152	290,882
Miscellaneous	1,531	2,447	3,978
Total operating receipts	221,357	81,783	303,140
Operating disbursements:			
Business type activities	129,054	83,287	212,341
Total operating disbursements	129,054	83,287	212,341
Excess (deficiency) of operating receipts over (under) operating disbursements	92,303	(1,504)	90,799
Operating transfers in (out)	-	-	-
Net change in cash balances	92,303	(1,504)	90,799
Cash balances beginning of year	357,075	53,877	410,952
Cash balances end of year	\$ 449,378	52,373	501,751
Cash Basis Fund Balances			
Unreserved	449,378	52,373	501,751
Total cash basis fund balances	\$ 449,378	52,373	501,751

See notes to financial statements

City of La Porte City

Reconciliation of the Statement of Cash  
Receipts, Disbursements and Changes in Cash Balances  
to the Statement of Activities and Net Assets -  
Proprietary Fund

As of and for the year ended June 30, 2005

<b>Total enterprise funds cash balances (page 16)</b>	\$ 501,751
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The city does not have an internal service fund.  
Therefore there are no reconciling items.

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<b>Cash basis net assets of business type activities (page 13)</b>	<u><u>\$ 501,751</u></u>
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<b>Net change in cash balances (page 16)</b>	\$ 90,799
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The city does not have an internal service fund.  
Therefore there are no reconciling items.

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<b>Change in cash balance of business type activities (page 13)</b>	<u><u>\$ 90,799</u></u>
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See notes to financial statements

City of La Porte City

Notes to Financial Statements

June 30, 2005

**(1) Summary of Significant Accounting Policies**

The City of La Porte City is a political subdivision of the State of Iowa located in Black Hawk County. It was first incorporated in 1871 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides sewer and garbage utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of La Porte City has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

These financial statements present the City of La Porte City (the primary government) and excludes all component units. A component unit is an entity which is legally separate from the City, but is so intertwined with the City that they are, in substance, part of the City. However, the financial transactions of this component unit has not been displayed because they are not material or use a different basis of accounting.

The La Porte City Utilities, a component unit of the city, is established under Chapter 388 of the Code of Iowa. The La Porte City Utilities is legally separate from the City, but has the potential to provide specific benefits to, or impose specific burdens on the City. The Utility is governed by a three member board appointed by the Mayor and approved by the City Council. La Porte City Utilities is a public utility providing electrical service to the citizens of La Porte City. Complete financial statements can be obtained from the Utility's administrative office.

### Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: City of Waterloo Building Department, Townships of the following: Big Creek, Spring Creek, Eagle Poyner, and Cedar in Black Hawk County, Bruce and Cedar in Benton County, Tri-County Drug Task Force, Northeast Iowa Response Group, Mutual Aid Fire – Buchanan County, Digital Data – Black Hawk County, Criminal Justice Info System, Black Hawk Consolidated Public Safety Communications Agreement, Mutual Aid Fire – Black Hawk County, Union Community School District – Tennis Courts and Use of Buses, Mutual Aid Fire – City of Waterloo, and Mutual Aid Fire – Covenant Health System.

### B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

The Special Revenue Funds:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Urban Renewal Tax Increment Fund is used to account for urban renewal projects financed by tax increment financing.

The Equipment Replacement Fund is used to accumulate reserves for future equipment purchases or improvements.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is utilized to account for major ongoing capital projects of the city.

The Fiduciary Trust Fund is utilized to account for monies and properties received and held by the city in a trustee capacity.

The City reports the following major proprietary funds:

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Ambulance Fund accounts for the operations and user fees for Ambulatory services provided by the City.

C. Measurement Focus and Basis of Accounting

The City of La Porte City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements did not exceed the amounts budgeted.

## **(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City's investments at June 30, 2005 are as follows:

Type	Carrying Amount	Fair Value	Maturity
Certificates of Deposit	\$ 818,652	\$ 818,652	Various Dates

In addition, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$503,222 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

## **(3) Bonds and Notes Payable**

Annual debt service requirements to maturity for general obligation note and equipment note are as follows:

Year Ending June 30,	General Obligation Notes		Equipment Note	
	Principal	Interest	Principal	Interest
2006	\$ 120,000	38,190	24,955	983
2007	120,000	35,220		
2008	125,000	32,010		
2009	130,000	28,428		
2010 - 2013	645,000	70,832		
Total	\$ 1,140,000	204,680	24,955	983

The Code of Iowa requires principal and interest on general obligation bonds be paid from the Debt Service Fund.

## **(4) Pension and Retirement Benefits**

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll, except for police employees, in which case the percentages are 6.16% and 9.23%, respectively. For the year ended June 30, 2004, the contribution rates for police employees and the City were 5.93% and 8.907%, respectively, and for the year ended June 30, 2003, the contribution rates for police employees and the City were 6.04% and 9.07%, respectively. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$31,319 , \$30,193, and \$29,363, respectively, equal to the required contributions for each year.

**(5) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave termination payments payable to employees at June 30, 2005, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 1,919
Sick leave	<u>48,460</u>
Total	<u>\$ 50,379</u>

This liability has been computed based on rates of pay in effect at June 30, 2005.

**(6) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Trust	General	3,065
Capital Projects	General	139,010
Trust	General	2,740
Equipment Replacement	General	3,932
Low to Moderate Income	Special Revenue – TIF	7,110
Economic Development	Special Revenue – TIF	23,267

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

**(7) Related Party Transactions**

The City had business transactions between the City and City officials totaling \$6,607 during the year ended June 30, 2005.



**(8) Risk Management**

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(9) Litigation**

The City is not subject to any pending litigation.

**(10) Subsequent Events**

The City entered into an agreement during the year with Burbach Aquatics, Inc. to design an aquatic center. The residents of the City voted and passed a resolution to give the City permission to bond for most of the cost of the project, which is approximately \$1,930,000, with the rest to be paid from private donations, grants and bond proceeds. The City applied for and received a Vision Iowa Community Attractions and Tourism Grant in the amount of \$100,000 in August of 2005. Burbach Aquatics, Inc will continue as the project managers for the construction and completion of the new aquatic center which is expected to be completed in June of 2006.

### **Required Supplementary Information**

City of La Porte City  
 Budgetary Comparison Schedule  
 of Receipts, disbursements, and Changes in Balances -  
 Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2005

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 566,924	-	-
Tax increment financing collections	41,987	-	-
Other city tax	239,723	-	-
Licenses and permits	21,017	-	-
Use of money and property	26,705	5,725	-
Intergovernmental	336,072	2,555	-
Charges for service	182,840	290,882	-
Miscellaneous	100,810	3,978	-
Total receipts	1,516,078	303,140	-
Disbursements:			
Public safety	454,592	-	-
Public works	378,959	-	-
Health and social services	1,869	-	-
Culture and recreation	277,229	-	-
Community and economic development	15,855	-	-
General government	107,212	-	-
Debt service	98,244	-	-
Capital projects	485,788	-	-
Business type activities	-	212,341	-
Total disbursements	1,819,748	212,341	-
Excess of receipts over disbursements	(303,670)	90,799	-
Other financing sources (uses), net	606,180	-	-
Excess of receipts and other financing sources over disbursements and other financing uses	302,510	90,799	-
Balances beginning of year	1,135,748	410,952	-
Balances end of year	\$ 1,438,258	501,751	-

See accompanying independent auditor's report.

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
566,924	566,991	566,991	(67)
41,987	44,335	44,335	(2,348)
239,723	212,829	212,829	26,894
21,017	22,075	22,075	(1,058)
32,430	37,525	37,525	(5,095)
338,627	290,911	290,911	47,716
473,722	456,095	456,095	17,627
104,788	3,000	3,000	101,788
1,819,218	1,633,761	1,633,761	185,457
454,592	462,307	469,737	15,145
378,959	456,055	456,055	77,096
1,869	1,869	1,869	-
277,229	180,216	281,826	4,597
15,855	25,868	25,868	10,013
107,212	102,903	107,903	691
98,244	77,778	98,244	-
485,788	8,000	608,000	122,212
212,341	298,620	298,620	86,279
2,032,089	1,613,616	2,348,122	316,033
(212,871)	20,145	(714,361)	501,490
606,180	6,120	606,120	60
393,309	26,265	(108,241)	501,550
1,546,700	1,259,766	1,546,700	-
1,940,009	1,286,031	1,438,459	501,550

City of La Porte City

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2005

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted revenues by \$600,000 and budgeted disbursements by \$734,506. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2005, disbursements did not exceed the amounts budgeted.

### **Other Supplementary Information**

## City of La Porte City

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds

As of and for the year ended June 30, 2005

	Special Revenue		
	TIF	Employee Benefits	Low to Moderate Income
Receipts:			
Property tax	\$ 41,987	63,041	-
Use of money and property	297	-	-
Intergovernmental	-	-	-
Miscellaneous	343	-	5,003
Total receipts	42,627	63,041	5,003
Disbursements:			
Operating:			
Public safety	-	31,463	-
Public works	-	18,705	-
Culture and recreation	-	8,453	-
Community and economic development	12,143	-	-
General government	-	5,867	-
Debt service	-	-	-
Total disbursements	12,143	64,488	-
Excess (deficiency) of receipts over (under) disbursements	30,484	(1,447)	5,003
Other financing sources:			
Operating transfers in (out)	(30,377)	-	7,110
Net change in cash balances	107	(1,447)	12,113
Cash balances beginning of year	6,581	1,278	116
Cash balances end of year	\$ 6,688	(169)	12,229
<b>Cash Basis Fund Balances</b>			
Reserved:			
Debt service	-	-	-
Unreserved:			
Special revenue funds	6,688	(169)	12,229
Permanent fund	-	-	-
Total cash basis fund balances	\$ 6,688	(169)	12,229

See accompanying independent auditor's report

	Permanent	
Debt Service	Trust Funds	Total
77,366	-	182,394
1,282	2,220	3,799
-	750	750
-	44,756	50,102
78,648	47,726	237,045
-	-	31,463
-	-	18,705
-	-	8,453
-	-	12,143
-	-	5,867
98,244	-	98,244
98,244	-	174,875
(19,596)	47,726	62,170
-	5,805	(17,462)
(19,596)	53,531	44,708
52,111	137,023	197,109
32,515	190,554	241,817
32,515	-	32,515
-	-	18,748
-	190,554	190,554
32,515	190,554	241,817



City of La Porte City  
Schedule of Indebtedness  
Year ended June 30, 2005

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
Equipment Note	March 26, 2002	5.20%	\$ 92,200
General obligation note: G.O. Capital Loan Note	May 6, 2003	1.60% - 3.80%	600,000
G.O. Capital Loan Note	July 1, 2004	2.95% - 4.25%	600,000

See accompanying independent auditor's report

**Schedule 2**

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
48,787	-	23,832	24,955	2,239	-
600,000	-	60,000	540,000	17,478	-
-	600,000	-	600,000	19,866	-
<u>\$ 648,787</u>	<u>600,000</u>	<u>83,832</u>	<u>1,164,955</u>	<u>39,583</u>	<u>-</u>

City of La Porte City

Bond and Note Maturities

June 30, 2005

Year Ending June 30,	General Obligation Notes					Total
	Capital		Capital			
	Loan Note		Loan Note			
	Issued May 6, 2003		Issued July 1, 2004			
	Interest		Interest			
Rates	Amount	Rates	Amount			
2006	2.00	\$ 60,000	2.95	60,000	120,000	
2007	2.40	60,000	2.95	60,000	120,000	
2008	2.65	65,000	3.10	60,000	125,000	
2009	3.00	65,000	3.40	65,000	130,000	
2010	3.25	70,000	3.60	65,000	135,000	
2011	3.40	70,000	3.80	70,000	140,000	
2012	3.60	75,000	4.00	70,000	145,000	
2013	3.80	75,000	4.10	75,000	150,000	
2014		-	4.25	75,000	75,000	
Total		\$ 540,000		600,000	1,140,000	

Year Ending June 30,	Equipment Note	
	Issued Mar. 26, 2002	
	Interest Rates	Amount
2006	5.2%	24,955
		<u>24,955</u>

See accompanying independent auditor's report

## City of La Porte City

Schedule of Receipts by Source and Disbursements By Function  
All Governmental Funds

For the Last Three Years

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Receipts:			
Property tax	\$ 608,911	526,401	510,753
Other city tax	239,723	227,623	213,365
Licenses and permits	21,017	19,224	22,808
Use of money and property	26,705	14,861	23,291
Intergovernmental	336,072	1,143	330,320
Charges for service	182,840	289,921	149,374
Miscellaneous	<u>100,810</u>	<u>455,952</u>	<u>238,481</u>
Total	<u><u>1,516,078</u></u>	<u><u>1,535,125</u></u>	<u><u>1,488,392</u></u>
Disbursements:			
Operating:			
Public safety	454,592	526,398	453,134
Public works	378,959	853,197	190,071
Health and social services	1,869	1,869	1,819
Culture and recreation	277,229	257,489	206,124
Community and economic development	15,855	4,599	51,492
General government	107,212	109,594	183,215
Debt service	98,244	19,258	199,631
Capital projects	<u>485,788</u>	<u>237,640</u>	<u>104,646</u>
Total	<u><u>\$ 1,819,748</u></u>	<u><u>2,010,044</u></u>	<u><u>1,390,132</u></u>

See accompanying independent auditor's report

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance  
and Other Matters

Based on an audit of Financial Statements Performed in Accordance with Government Auditing  
Standards

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of La Porte City, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated October 11, 2005. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of La Porte City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of La Porte City's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item II-A-05 is a material weaknesses. The prior year reportable condition has not been resolved.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of La Porte City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a

direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in Part III of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of La Porte City and other parties to whom the City of La Porte City may report including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of La Porte City during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

October 11, 2005

City of La Porte City  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2005

**Part I: Summary of the Independent Auditor's Results:**

- (a) An unqualified opinion was issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

City of La Porte City  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2005

**Part II: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITIONS:**

II-A-05 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal are all done by the same person.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will consider this.

Conclusion – Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.



City of La Porte City  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2005

**Part III: Other Findings Related to Statutory Reporting:**

- III-A-05 Official Depositories – A resolution naming official depositories has been approved by the City, however, they have not approved a depository resolution for investments held in the Iowa Public Agency Investment Trust. Also, the maximum deposit amounts stated in the resolution were exceeded during the year ended June 30, 2005 at Cedar Valley Bank.

Recommendation – Chapter 12C.2 of the Code of Iowa requires the City, by written resolution, to name each depository approved for depositing City funds and to specify the maximum dollar amount which may be kept on deposit at each depository. The City should increase the maximum dollar amount and monitor deposits amounts to ensure that deposits do not exceed stipulated maximum amounts.

Response – We are working to correct this.

Conclusion – Response accepted.

- III-B-05 Certified Budget – Disbursements during the year ended June 30, 2005 did not exceed the amounts budgeted. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.
- III-C-05 Questionable Disbursements – We noted no questionable disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- III-D-05 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- III-E-05 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Jeff Larison, Treasurer	Vice President of Cedar Valley Bank	N/A
Rachel Ward, Assistant Librarian, Co-owner of Ward Auto and Truck Service	Maintenance and repair of fire and rescue vehicles	\$ 5,165
Scott Sides, Volunteer Firefighter, Owner of Sides & Bown Construction	Installation of new windows at City Hall	1,380

City of La Porte City  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2005

Cliff McFarland, Council Member, Owner of Sunshine Floral	Greenery and lights purchased	61
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In accordance with Chapter 362.5(3) of the Code of Iowa, the first transaction with the City Treasurer does not appear to represent a conflict of interest since the treasurer is an employee of Cedar Valley Bank.

In accordance with Chapter 362.5(11) of the Code of Iowa, the second transaction exceeding \$2,500 may represent a conflict of interest.

Recommendation – The City should consult legal counsel to determine the disposition of this matter.

Response – The City will contact its legal counsel.

Conclusion – Response accepted.

In accordance with Chapter 362.5(11) of the Code of Iowa, the third and fourth transactions do not appear to represent a conflict of interest since the amount is for less than \$2,500.

- III-F-05 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- III-G-05 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- III-H-05 Deposits and Investments – We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.
- III-I-05 Payment of General Obligation Bonds – The City properly paid for its general obligation bonds out of the Debt Service fund.

City of La Porte City

Staff

This audit was performed by:

Donald A. Snitker, CPA, Partner  
Gina E. Trimble, CPA, Senior Auditor